WESTERN foodservice

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PRICE PROMOTIONS

Chuck E. Cheese and friend, Pizza Time Theatre's Joseph F. Keenan

MERCHANDISING

Games, Fun and Food

Pizza Time Theatre feeds children's spirits as well as their mouths.

Pizza Time Theatre has been derided by some who feel the company is leaving the food out of foodservice. It's been imitated by others who recognize a winning formula. One thing is for sure: It's been noticed by almost everyone.

Pizza Time units are called "entertainment centers," not restaurants, and the emphasis is on having a good time. Customers amuse themselves by playing games (a typical unit has about 80 games) and by watching a host of computerized cartoon-like characters perform skits. Families with children under 12 are the primary customers.

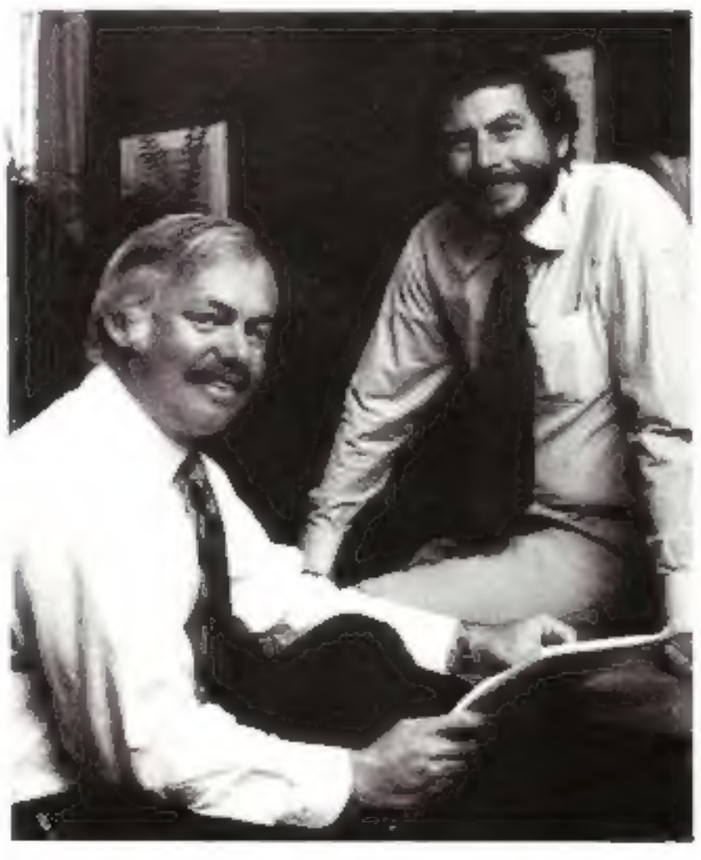
The first Pizza Time Theatre opened in Northern California in 1977, the brainchild of Nolan Bushnell, a pioneer in electronic games. During its first year of operation, Pizza Time was a division of Atari Inc., the video game company founded by Bushnell.

The following year, Bushnell—using some of the cash he had acquired when he sold Atari to Warner Communications—purchased Pizza Time Theatre from Atari. Several months later he resigned as Atari's chairman of the board to devote himself full-time to Pizza Time Theatre.

Franchising. The Sunnyvale, Calif.–based company has since blossomed into a publicly-held franchise chain with more than 80 units. A little over half the stores are company owned. The goal is 1,000 units, says president Joseph F. Keenan, "and I don't see any reason why we can't reach it by 1986."

To obtain funds for more openings, Pizza Time Theatre recently announced its second public offering. The company went public in April of this year and had a "wonderful" reception, says Keenan. "We had hoped to sell the stock at $12, and it sold at $15." In October, when the second offering was announced, shares were selling in the $22 to $24 range.

Almost all the franchise territories have already been sold, says Keenan.



President Joseph F. Keenan, left, and chairman of the board Nolan K. Bushnell.

"Very few territories are left, and all the main metropolitan areas are gone." So far, franchisees have opened units in 14 states and Australia.

Video Games. The company's early success is due to a number of factors, not the least of which is its origin in the video game industry. While games such as pinball machines have been an added attraction in some restaurants for decades, Pizza Time Theatre is apparently the first foodservice operation to use games as an integral part of the concept.

According to Keenan, games—all of which are company owned—contribute 25 percent of the $1.3 million average annual sales per unit. Most of the games are video games; the others, such as Skeeball, are geared mainly to small children. Tokens for playing games are given to customers with each food order.

The video game revolution is not a passing fad, says Keenan. "Arcades have been around since the 1890s, and they'll continue to be around. I think video games will evolve into different games. We're playing games today that Flash Gordon played in the '30s. Games of the future will take even more skill."

Games Development. Because the Pizza Time concept appeals primarily to children 7 to 12, the company is planning to develop its own video

One of the newer units, in Pleasanton, Calif.

games specifically for young customers, says Keenan. Most video games currently on the market cater to 16- to 24-year-old males, a segment of the population Pizza Time Theatre does not particularly want to reach.

The company leans hard on a manager if the video games revenue reaches too high a percentage of total sales, says Keenan, because that means the unit is becoming more of an arcade than a restaurant. "We really discipline the manager if he starts losing the family atmosphere."

The atmosphere is particularly important in communities with ordinances limiting the number of video games in an establishment. "So far," says Keenan, "we've been successful in obtaining variances from those ordinances" by convincing local authorities that Pizza Time Theatre appeals to families, not adolescent males. "As long as we continue to maintain the atmosphere, we should be able to get the variances."

Restaurants. The units are primarily restaurants, Keenan points out, with 57 percent of the revenues coming from food and 17 percent from beverages, including beer and wine.

Restaurants were not the original plan, however. Keenan has been president of Pizza Time Theatre for only two years, but as Bushnell's second-in-command at Atari, he was involved from the beginning in the Pizza Time founding. "When we started Pizza Time Theatre, we were gearing ourselves to be game centers with food as a sideline," he says. "In fact, we have restaurants with games as a sideline."

Pizza Time sells pizza, four kinds of sandwiches, two hot dogs, salads from all-you-can-eat salad bars, and make-your-own sundaes. Pizza prices range from $2.25 for a seven-inch mini-pizza to $12.05 for a 14-inch combination pizza with four meats and four vegetables.

High Margins. Keenan says he and Bushnell have been pleasantly surprised by the profit potential of the foodservice business. "It's a much better business than we expected it to be. We had heard that it was a tight margin business. In fact, there's a lot of flexibility in the pricing, as long as you give people something they're looking for. The margins on food can be every bit as big as the margins on games."

Having come to Pizza Time Theatre from a manufacturing company, Keenan says he's been especially impressed with the lack of labor difficulties in the foodservice business. Pizza Time Theatre customers pick up their own orders at the counter, eliminating the necessity for a large staff. "High school kids in the United States really want to work," says Keenan. "It's true they don't stay very long, but it doesn't take long to train them, either."

Pizza Time Theatre's biggest problem right now, says Keenan, is probably its unit management, although he points out that it's not really the individual managers' fault. "Because of our fast growth, most of our managers have less than six months' time in the stores. And as a company, we're still in the learning stages."

Next year, points out John A. Scott, executive v.p. of operations, will be "the year of the store manager at Pizza Time Theatre. In a rapid growth period, not enough attention is paid to store managers. We plan not to make that mistake."

The company is in the midst of reviewing managers' pay scales. At present, they make from $18,000 to $24,000 in salary, with a possible 40 percent bonus, says Keenan. That puts top managers at $33,000 to $34,000, he adds, and "our managers are averaging 80 percent of the bonus pool."

Marketing. Next year will also be a year for the company to show its marketing savvy.

Patrick Saign, v.p. of marketing, has been refining Pizza Time Theatre's promotions for the last two years. To Saign, the company's most important

characteristic from a promotional point of view is its size. "With 10,000 square feet [a typical unit], you can do a lot more things than most restaurants can."

Pizza Time Theatre's best promotion, says Saign, is school tours. The company contacts elementary school teachers and invites their classes to visit stores to learn how a restaurant works. "It's a very good way to expose kids to Pizza Time Theatre," says Saign. And to further ingratiate themselves with local educators, the company allows schools to use their facilities for fundraisers.

The school tours are ongoing, but Pizza Time Theatre also sponsors a multitude of one-time promotions, especially when opening a new unit. "When a store opens in a new area," says Saign, "we go to the Chamber of Commerce and identify the 50 largest groups in the community. Then we invite those groups to the store on a Monday, Tuesday, or Wednesday night." The groups are given ten percent discounts on pizza, free beverages, and unlimited use of game tokens. "If we can book ten to 15 of those groups during the first four to six weeks of the store's opening, we've really established ourselves with the community."

Few Discounts. In most promotions, the company has steered away from discounting food, preferring instead to give away free gifts. "I felt that discounting our food was not a good way to introduce our product," says Saign. "Instead, we charge the full price for the pizza and give the customers a premium they perceive as a high value gift, such as a $4 to $5 T-shirt."

The company sponsors a new promotion every month. Next month, for example, will be "double fun" month, with customers receiving double game tokens on all food purchases.

Other promotions during the year put the spotlight on Chuck E. Cheese, the Pizza Time Theatre mascot. The company recently revised its signage to put more emphasis on Chuck E., changing its logo to give the mascot top billing over the Pizza Time name. Saign says he's surprised that so few companies make use of a mascot. Chuck E. Cheese walks around Pizza Time Theater stores and shows up for community events such as Little League games. "We feel that Chuck E. Cheese will eventually become the most famous walk-around character in the country," says Saign.

The Future. That will take some time, Pizza Time Theatre executives acknowledge. But they feel they've laid the groundwork to become a solid force in the industry. Keenan cites what he considers the company's two strongest points: "We are fairly creative. We also acknowledge that our people are very important. We delegate a lot of responsibility. Our people feel they're having an active part in the company's development."

Future developments will be as creative as the company's first four years, Keenan promises. With its electronics background, might Pizza Time Theatre become the first foodservice company to make extensive use of robots to serve people? "Could be," says Keenan. "Our original concept included having a bear deliver pizza at the table, but we gave up on that," he adds with a laugh, "because we figured customers would try to trip him."—V.M.

Four of the Pizza Time Theatre computer-animated characters. From left are Foxy Colleen, company mascot Chuck E. Cheese, Jasper T. Jowls, and Pasqually.

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